

Message Text

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ORIGIN EB-11

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TO AMEMBASSY DAR ES SALAAM

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY KAMPALA

AMEMBASSY LONDON

AMEMBASSY NAIROBI

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EO: 11652, N/ A.

TAGS: EAGR, ETRD, TZ.

SUBJECT: FORWARD SISAL CONTRACT REPUDIATIONS

REF: DAR' S 1136

1. ONLY CASE BROUGHT TO DEPT.' S ATTENTION TO DATE SPECI-
FICALLY INVOLVING U. S. INTEREST IS CONTRACT BETWEEN
RELIANCE UPHOLSTERY SUPPLY CO., INC., GARDENA, CALIFORNIA,
AND R. L. PRITCHARD AND CO., INC., FLORAL PARK, N. Y., ACT-
ING AS AGENTS FOR HINDLEY AND CO., LTD., LONDON. ORIGIN-
ALLY DATED OCT. 30, 1969, CONTRACT NOW CALLS FOR
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SHIPMENT 150 TONS TOW NOS. 1 OR 2 MONTHLY OVER FIVE YEAR PERIOD BEGINNING JANUARY 1970 AND ENDING DECEMBER 1974. PRICE FIXED IN U. S. CENTS A POUND. PRITCHARD ESTIMATES THAT RENEGOTIATION OF CONTRACT TO RECOGNIZE MINIMUM PRICES RECENTLY SET BY BANK OF TANZANIA WOULD MEAN 50 PERCENT INCREASE IN PRICE TO RELIANCE.

2. EMB. SHOULD MAKE APPROPRIATE DEMARCHE TO TANZANIAN AUTHORITIES EITHER SEPARATELY OR IN ASSOCIATION WITH OTHER GOVERNMENTS, WHICHEVER LIKELY TO BE MORE EFFECTIVE. OBJECTIVE SHOULD BE TO HAVE ALL LONG- TERM CONTRACTS EXEMPTED. POSSIBLE FALLBACK POSITION WOULD BE EXEMPTION CONTRACTS ENTERED INTO PRIOR, SAY, TO 1971 (THUS PROTECTING PRITCHARD AND RELIANCE ALTHOUGH POSSIBLY FAILING TO PROTECT OTHER AMERICAN CONTRACTS NOT YET BROUGHT TO DEPT.' S ATTENTION). ANOTHER FALLBACK WITH AT LEAST TEMPORARY

EFFECT WOULD BE TO WAIVE PRICE CEILINGS PENDING COMPLETION GOT STUDY MENTIONED PARA 1 REFTEL.

3. SENATOR JAVITS HAS INTERVENED WITH DEPT. ON PRITCHARD'S BEHALF. DEPT. IS INCLUDING FOLLOWING LANGUAGE IN ITS DRAFT REPLY TO THE SENATOR: QTE WE BELIEVE THAT THE ACTION BY THE GOVERNMENT OF TANZANIA IS ILL- ADVISED. TO THE EXTENT THAT IT BOLSTERS THE CURRENT INFLATED PRICES IT WILL TEND TO DRIVE CUSTOMERS AWAY FROM SISAL TOWARD SYNTHETIC FIBERS; AND ONCE THE MARKET IS LOST, IT WILL BE HARD, IF NOT IMPOSSIBLE, TO REGAIN. PERHAPS MORE IMPORTANT, THE ACTION PLACES IN JEOPARDY THE GOOD FAITH AND SANCTITY OF CONTRACT ON WHICH FUTURE COMMERCIAL TRANSACTIONS, NOT LIMITED TO SISAL, DEPEND. UNQTE. EMB. MAY USE THIS OR SIMILAR LANGUAGE IN ITS APPROACH TO THE GOT.

4. OTHER POINTS THAT EMB MAY WISH TO MAKE ARE THESE: (A) DISCOURAGING EFFECT OF GOT ACTION ON POSSIBLE FUTURE INTERGOVERNMENTAL EFFORTS TO FURTHER LONG- TERM WELFARE SISAL PRODUCERS; AND (B) FACT THAT TWO RECENT DEVALUATIONS US DOLLAR ALREADY HAVE INCREASED BY SOME 20 PERCENT COST TO US IMPORTERS OF SISAL QUOTED IN POUNDS STERLING. MORE EQUITABLE APPROACH THAN OVERALL PRICE CEILINGS WOULD BE EFFORT BY GOT AUTHORITIES TO SEE THAT ON SALES TO US LIMITED OFFICIAL USE

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MARKET PRODUCERS RECEIVE BENEFIT DOLLAR DEVALUATION.

5. INFORMAL INQUIRIES BY USDA BY PHONE FAIL TO SUBSTANTIATE CHARGES MENTIONED LAST PARA REFTEL.

6. PLEASE REPORT PROMPTLY ON ACTION TAKEN AND GOT RESPONSE.

7. DECONTROL 12/31/73. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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To: BONN
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DAR ES SALAAM
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NAIROBI
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